

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL****FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 0 — 0 0 9

2. STATE:

HAWAII

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)
MEDICAL ASSISTANCETO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

JANUARY 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 C.F.R. SECTION 447.255

7. FEDERAL BUDGET IMPACT:

a. FFY 2000 \$ 250,000
b. FFY 2001 \$ 2,302,540

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

ATTACHMENT 4.19 D
PAGES 8, 10, & 319. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):ATTACHMENT 4.19 D
PAGES 8, 10, & 31

10. SUBJECT OF AMENDMENT:

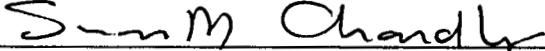
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR LONG-TERM CARE FACILITIES

11. GOVERNOR'S REVIEW (Check One):

- ☐
- GOVERNOR'S OFFICE REPORTED NO COMMENT
-
- ☐
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
-
- ☐
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: APPROVED BY GOVERNOR

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

SUSAN M. CHANDLER, M.S.W., Ph.D.

14. TITLE:

DIRECTOR

15. DATE SUBMITTED:

DECEMBER 1, 2000

16. RETURN TO:

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
MED-QUEST DIVISION
P.O. BOX 339
HONOLULU, HAWAII 96809-0339**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

December 11, 2000

18. DATE APPROVED:

December 8, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

January 1, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME:

Linda Minamoto

22. TITLE:

Associate Regional Administrator

23. REMARKS:

1. increasing the facility-specific Level A direct nursing component by dividing that component by the Acuity Ratio; or
 2. decreasing the facility-specific Level C direct nursing component by multiplying it times the Acuity Ratio.
 3. In calculating the Substitute Direct Nursing Component, the Acuity Ratio shall be applied to the Provider's direct nursing component prior to the application of the direct nursing component ceiling.
- WW. "Total PPS Rate" means the Basic PPS Rate plus all applicable adjustments, additions or increases to that rate that are defined and authorized in this Plan.
- XX. "Upper Limit" means the limit on aggregate payments to Providers imposed by 42 C.F.R. § 447.272.
- YY. "Critical Access Hospital" (CAH) means a hospital designated and certified as such under the Medicare Rural Hospital Flexibility Program.

II. GENERAL PROVISIONS

A. Purpose

The purpose of this Plan is to establish a prospective payment reimbursement system for long-term care facilities that complies with the Social Security Act and the Code of Federal Regulations. The Plan describes principles to be followed by Providers in making financial reports and describes procedures to be followed by the Department in setting rates, making adjustments to those rates, and auditing cost reports.

B. Objective

Pursuant to the requirements of the Omnibus Budget reconciliation Act of 1980, the objective of this Plan is to establish rates for long-term care facilities that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated Providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards, and include Medicaid provisions for the Rural Hospital Flexibility Program.

C. Reimbursement Principles

TN No. 00-009

Supersedes

TN No. 97-002

Approval ~~DATE~~ 8 2001 Effective Date 1/01/01

- a) one-half of the percentage increase (as measured over the same period of time, or, if necessary, as extrapolated retrospectively by the Secretary of Health and Human Services) in the Dodge Construction Systems Costs for Nursing Homes, applied in the aggregate with respect to those facilities which have undergone a change in ownership during the fiscal year; or
 - b) one half of percentage increase (as measured over the same period of time) in the Consumer Price Index for all Urban Consumer (United States city average).
7. The Department shall pay the Providers separately for ancillary services based on a fee schedule or through an Ancillaries Payment.
 8. Nursing Facilities that have G&A or capital costs below the median for their peer group are rewarded with an incentive payment. A formula to determine the G & A Incentive Adjustment is defined in Section I. Q. A formula to determine the Capital Incentive Adjustment is defined in Section I. M.
 9. The Department may contract with Providers to provide Acuity Level D care to selected Residents.
 10. The Department shall reimburse Level A and Level C services of a certified CAH on a reasonable cost basis following Medicare principles of reimbursement. Reimbursement for Level A and Level C routine services provided by a CAH will be actual costs up to 200% of each provider's Medicaid Routine Cost Limit as defined in Section I.UU. However, for CAH providers whose routine costs exceed the Routine Cost Limit, reimbursement of costs will be limited to 200% of each provider's RCL, and costs for which a RCL exception request has been filed and only up to the amounts approved by the State.

D. Access to Data

Members of the public may obtain the data and methodology used in establishing payment rates for Providers by following the procedures defined in the Uniform Information Practices Act, Haw. Rev. Stat. chapter 92F, (A copy of Hawaii Revised Statutes 92F is appended to Plan as Exhibit 92F).

III. SERVICES INCLUDED IN THE BASIC PPS RATE

- A. The reasonable and necessary costs of providing the following items and services shall be included in the Basic PPS Rate and shall not be separately reimbursable unless specifically excluded under Section III.B.

TN No. 00-009

Supersedes

TN No. 97-002

Approval Date MAR 8 2001 Effective Date 1/01/01

- b) To ensure the prospective nature of the payment methodology, the Inflation Adjustment shall not be retroactively modified or adjusted.

B. Limitations on Long-Term Care Provider Reimbursement

1. Notwithstanding any other provisions of this Plan, aggregate payments to each group of facilities (i.e., Nursing Facilities or ICF/MRs) may not exceed the amount that can reasonably be estimated would have been paid for those services under Medicare reasonable cost principles of reimbursement (as defined in 42 C.F.R. chapter 413). In addition, aggregate payments to each group of State-operated Providers (i.e., Nursing Facilities or ICF/MRs) may not exceed the amount that can reasonably be estimated would have been paid under Medicare reasonable cost principles of reimbursement. If a formal and final determination is made that payments in the aggregate exceeded the Upper Limit and federal financial participation is disallowed, then the Department may recoup any payments made to Providers in excess of the Upper Limit.
2. Notwithstanding any other provisions of this Plan, payment for out-of-state long-term care facility services shall be the lesser of the facility's charge, the other state's Medicaid rate, or the statewide weighted average Hawaii Medicaid rate applicable to services provided by comparable Hawaii Providers.
3. Notwithstanding any other provision of this Plan, no payments shall be made for the improper admission of or care for mentally ill or mentally retarded individuals, as those terms are defined in section 4211 (e)(7)(G) of OBRA 87.
4. Notwithstanding any other provisions of this Plan, should federal participation for CAH providers be disallowed, the Department may recoup any such payments made to these CAH facilities.

C. Adjustments to Base Year Cost

1. Adjustments to a Provider's Base Year Cost Report that occur subsequent to a Rebasing that utilizes that Base Year Cost Report shall not result in any change to the component rate ceilings for the Provider's peer group.

TN No. 00-009

Supersedes

Approval Date

MAR 8 2001

Effective Date

1/01/01

TN No. ~~00-002~~ 97-002